

MAYFIELD INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2017

MAYFIELD INDEPENDENT SCHOOL DISTRICT
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KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
American Institute
of CPAs

♦
MEMBER,
Kentucky Society
of CPAs

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, Audit Report, and Management Letter Comments Spreadsheet*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4 through 8 and 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayfield Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 9, 2017, on my consideration of the Mayfield Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mayfield Independent School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 9, 2017

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

As management of the Mayfield Independent School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$1,820,282 and the ending balance was \$2,804,715.
- The District had a combined fund balance for all governmental funds on July 1, 2015 of \$1.904 million. The balance increased to \$3.471 million by June 30, 2016 and increased to \$4.926 million by June 30, 2017. The increase was partially due to bond proceeds received that had not been completely spent, an increase in state revenues, and an overall decrease in expenditures other than construction. The net position of the proprietary fund increased from \$818,000 at July 1, 2015 to \$891,000 by June 30, 2016, then decreased to \$851,000 by June 30, 2017. The decrease from FY 16 to FY 17 was mainly due to indirect cost transfers of \$30,000 from the food service fund to the general fund.
- Mayfield High School received three new carts of Dell notebooks for a total cost of approximately \$80,000. We also finished a complete network refresh. The project cost was approximately \$285,000 but the cost to the District was actually about \$50,000 due to approval for discounts through the Erate program. All network closets were rewired and cable management was put in place at a cost of \$26,000. This will increase efficiency in troubleshooting and cut “downtime” significantly. Implementation of a new asset tracking/trouble ticket software application purchased through SchoolDude was added at a cost of approximately \$3,000 as well. All annual maintenance/subscription plans were continued including SchoolCast, Microsoft ESS agreement, Adobe, BrainPop, etc.
- The KETS technology match was made for \$32,389.
- The General Fund had \$15,007,147 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased \$635,000 from the prior year, primarily due to an increase in state funding of approximately \$300,000, an increase in taxes of approximately \$155,000, an increase in federal funds of \$90,000, and an increase in other local funds of about \$83,000. There was \$14,045,002 in General Fund expenditures. Expenditures decreased approximately \$390,000 from the prior year, with the largest decrease in district administration support services of almost \$365,000.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets plus deferred outflows exceeded liabilities and deferred inflows by \$8,218,582 as of June 30, 2017. The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Liabilities are higher than in previous years due to the requirements of GASB 68, as more fully discussed in Note G.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

	Net Position for the period ending	
	June 30, 2017	June 30, 2016
Current Assets	\$ 7,388,163	\$ 5,535,113
Noncurrent Assets	<u>17,905,211</u>	<u>14,453,366</u>
Total Assets	<u>\$ 25,293,374</u>	<u>\$ 19,988,479</u>
Deferred Loss from Refunding Bonds	\$ 264,563	\$ 302,358
Deferred Amounts Related to Pensions	<u>1,499,296</u>	<u>1,270,930</u>
Total Deferred Outflows of Resources	<u>\$ 1,763,859</u>	<u>\$ 1,573,288</u>
Current Liabilities	\$ 2,296,317	\$ 1,868,488
Noncurrent Liabilities	<u>16,542,334</u>	<u>12,425,748</u>
Total Liabilities	<u>\$ 18,838,651</u>	<u>\$ 14,294,236</u>
Difference between projected and actual earnings	\$ 0	\$ 0
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>
Net investment in capital assets	\$ 7,046,062	\$ 7,011,537
Restricted	2,705,007	2,256,882
Unrestricted	<u>(1,532,487)</u>	<u>(2,000,888)</u>
Total Net Position	<u>\$ 8,218,582</u>	<u>\$ 7,267,531</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The General Fund's total revenues for the fiscal year ended June 30, 2017 were \$15,007,147.
- General fund budget compared to actual revenue varied slightly from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$593,708 more than budget. The categories with the largest difference from budgeted amounts were state funds (\$216,666 more than budget), taxes (\$147,027 more than budget), indirect federal funds (\$136,445 more than budget), and other local revenues (\$90,776 more than budget).
- The total cost of all General Fund programs and services was \$14,045,002.
- General fund budget exceeded actual expenditures for most line items with the total actual expenditures (excluding on behalf expenditures, which are not budgeted, and the contingency) being \$1,371,808 less than budgeted. The categories with the largest difference from budgeted amounts were for instruction (\$663,254 less than budget), district administration (\$304,041 less than budget), plant operations and maintenance (\$180,789 less than budget), student transportation (\$132,920 less than budget), and school administration (\$74,943 less than budget).
- One major difference in the budgeted revenues and expenditures when compared to actual amounts were the recording of payments made by the state of on behalf payments, such as matching teacher retirement and health insurance. These payments are not required to be budgeted; however, they are required to be recorded in order to comply with generally accepted accounting principles. The total payments made in the current year by the state on behalf of the district recorded in the general fund were \$3,259,487.

The following table presents a summary of governmental and business-type revenue and expense for the fiscal year ended June 30, 2017 as compared to the fiscal year ended June 30, 2016.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

	June 30, 2017	June 30, 2016
Program Revenues:		
Charges for services – food services	\$ 75,624	\$ 74,850
Charges for services – governmental	146,404	67,121
Operating grants – food services	1,396,037	1,337,883
Operating grants – governmental	6,029,707	5,951,883
Capital grants – governmental	<u>1,120,957</u>	<u>1,021,455</u>
Total Program Revenues	<u>8,768,729</u>	<u>8,453,192</u>
General Revenues:		
Taxes	3,364,479	3,253,800
Earnings on investments	32,234	22,033
State and formula grants	8,277,175	8,030,552
Miscellaneous	209	0
Gain (loss) on disposal of fixed assets	<u>0</u>	<u>(11,414)</u>
Total General Revenues	<u>11,674,097</u>	<u>11,294,971</u>
Total Revenues	<u>20,442,826</u>	<u>19,748,163</u>
Expenses:		
Instruction	11,394,404	11,606,267
Student support services	703,718	660,169
Instructional support	863,006	793,391
District administration	275,975	638,787
School administration	961,586	951,703
Business support	356,468	345,321
Plant operations	2,189,732	2,012,744
Student transportation	745,305	793,139
Community services	211,999	213,826
Other non-instructional	9,001	8,250
Interest on long term debt	230,981	171,672
Food service operation	1,489,571	1,347,106
Other Debt service	<u>60,029</u>	<u>70,276</u>
Total Expenses	<u>19,491,775</u>	<u>19,612,651</u>
Change in Net Position	951,051	135,512
Beginning Net Position	7,267,531	7,269,615
Prior period adjustment	<u>0</u>	<u>(137,596)</u>
Ending Net Position	<u>\$ 8,218,582</u>	<u>\$ 7,267,531</u>

General Fund Revenue

The majority of revenue was derived from state funding (\$11,590,105) making up 77% of total revenue and \$2,977,027 from local taxes (20%).

General Fund Expenditures

The largest category of expenditures was for instruction (62%), followed by plant operations and maintenance (11%), school administration support services (7%), instructional staff support services (6%), student support services (5%), student transportation (4%), district administration support services (3%), and business support services (2%).

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the District had \$17,905,211 invested in land, buildings, and equipment. Of that amount, \$17,638,344 is in governmental activities. There was a major increase in net capital assets during the fiscal year because of a construction project at the middle school. Total additions to capital assets were \$4,202,189 in governmental activities, while depreciation expense was \$733,129 in governmental activities, causing the net amount of noncurrent assets to increase by \$3,469,060.

See Note E for a breakdown of additions by class on page 29.

Debt Administration

The District had \$11,188,155 in bonds and capital leases payable outstanding on June 30, 2017. A total of \$814,199 is due within one year. Bond principal payments during the year were \$738,000, while KISTA principal payments were \$22,963. Bonds were issued for the principal amount of \$4,155,000.

See Note F on pages 30-31 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$741,802 in contingency (5.8%). The beginning general fund balance for beginning the fiscal year was \$1,820,282.

Mayfield Independent Public Schools received federal grants in the amount of \$1,573,180 and are awarded on an October 1 to September 30 period. They also received state grants in the amount of \$886,497 that are awarded on a July 1 through June 30 fiscal year period.

Questions regarding this report should be directed to the Superintendent Joe Henderson or by mail at 914 East College Street, Mayfield, KY 42066.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 5,702,798	\$ 1,004,033	\$ 6,706,831
Accounts receivable:			
Taxes - current	127,943	0	127,943
Taxes - delinquent	233	0	233
Accounts receivable	47,203	7,413	54,616
Interest receivable	1	0	1
Intergovernmental - state	2,165	0	2,165
Intergovernmental - indirect federal	293,350	16,386	309,736
Due from school activity funds	552	0	552
Inventory	0	33,234	33,234
Prepaid expenses	152,852	0	152,852
Total current assets	<u>6,327,097</u>	<u>1,061,066</u>	<u>7,388,163</u>
Noncurrent Assets:			
Capital assets	31,003,843	813,885	31,817,728
Less: Accumulated depreciation	<u>(13,365,499)</u>	<u>(547,018)</u>	<u>(13,912,517)</u>
Total noncurrent assets	<u>17,638,344</u>	<u>266,867</u>	<u>17,905,211</u>
TOTAL ASSETS	<u>\$ 23,965,441</u>	<u>\$ 1,327,933</u>	<u>\$ 25,293,374</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	\$ 454,162	\$ 0	\$ 454,162
Less: Accumulated amortization	(189,599)	0	(189,599)
Pension contributions subsequent to measurement date	338,893	38,331	377,224
Difference between expected and actual experience	23,402	2,647	26,049
Net difference between projected and actual investment earnings on pension plan investments	503,937	56,996	560,933
Change of assumptions	283,968	32,117	316,085
Changes in proportion and differences between employer contributions and proportionate share of contributions	196,752	22,253	219,005
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,611,515</u>	<u>\$ 152,344</u>	<u>\$ 1,763,859</u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 1,086,881	\$ 11,210	\$ 1,098,091
Advances from grantors	294,879	0	294,879
Current portion of bond obligations	799,000	0	799,000
Less: Current portion of unamortized bond discount	(7,751)	0	(7,751)
Current portion of KISTA notes payable	15,199	0	15,199
Current portion of KSBIT payable	29,174	0	29,174
Current portion of accrued sick leave	19,826	1,288	21,114
Interest payable	46,611	0	46,611
Total current liabilities	<u>2,283,819</u>	<u>12,498</u>	<u>2,296,317</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	10,352,000	0	10,352,000
Less: Noncurrent portion of unamortized bond discount	(56,692)	0	(56,692)
Noncurrent portion of KISTA notes payable	21,956	0	21,956
Noncurrent portion of KSBIT payable	87,519	0	87,519
Noncurrent portion of accrued sick leave	160,406	10,422	170,828
Net pension liability	5,360,444	606,279	5,966,723
Total noncurrent liabilities	<u>15,925,633</u>	<u>616,701</u>	<u>16,542,334</u>
TOTAL LIABILITIES	<u>\$ 18,209,452</u>	<u>\$ 629,199</u>	<u>\$ 18,838,651</u>
NET POSITION:			
Net investment in capital assets	\$ 6,779,195	\$ 266,867	\$ 7,046,062
Restricted for:			
Construction	1,821,390	0	1,821,390
Debt service	1,620	0	1,620
Food service	0	584,211	584,211
Other	297,786	0	297,786
Unrestricted	<u>(1,532,487)</u>	<u>0</u>	<u>(1,532,487)</u>
TOTAL NET POSITION	<u>\$ 7,367,504</u>	<u>\$ 851,078</u>	<u>\$ 8,218,582</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 11,394,404	\$ 146,404	\$ 4,538,013	\$ 1,120,957	\$ (5,589,030)	\$ 0	\$ (5,589,030)
Support Services:							
Student	703,718	0	188,886	0	(514,832)	0	(514,832)
Instructional Staff	863,006	0	281,587	0	(581,419)	0	(581,419)
District Administration	275,975	0	47,391	0	(228,584)	0	(228,584)
School Administration	961,586	0	216,918	0	(744,668)	0	(744,668)
Business	356,468	0	108,225	0	(248,243)	0	(248,243)
Plant operations and maintenance	2,189,732	0	279,488	0	(1,910,244)	0	(1,910,244)
Student transportation	745,305	0	151,582	0	(593,723)	0	(593,723)
Community service activities	211,999	0	187,895	0	(24,104)	0	(24,104)
Other non-instruction	9,001	0	9,001	0	0	0	0
Interest on long-term debt	230,981	0	20,721	0	(210,260)	0	(210,260)
Other debt service	60,029	0	0	0	(60,029)	0	(60,029)
Total governmental activities	18,002,204	146,404	6,029,707	1,120,957	(10,705,136)	0	(10,705,136)
Business-Type Activities:							
Food service	1,489,571	75,624	1,396,037	0	0	(17,910)	(17,910)
Total business-type activities	1,489,571	75,624	1,396,037	0	0	(17,910)	(17,910)
Total primary government	\$ 19,491,775	\$ 222,028	\$ 7,425,744	\$ 1,120,957	(10,705,136)	(17,910)	(10,723,046)
General Revenues:							
Taxes:							
Property					2,453,134	0	2,453,134
Motor Vehicle					279,104	0	279,104
Utilities					582,529	0	582,529
In Lieu of					49,712	0	49,712
Earnings on Investments					23,878	8,356	32,234
State and formula grants					8,277,175	0	8,277,175
Miscellaneous					209	0	209
Transfers					30,000	(30,000)	0
Change in net position					990,605	(39,554)	951,051
Net position at July 1, 2016					6,376,899	890,632	7,267,531
Net position at June 30, 2017					\$ 7,367,504	\$ 851,078	\$ 8,218,582

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 2,580,355	\$ 16,960	\$ 2,806,077	\$ 299,406	\$ 5,702,798
Accounts receivable:					
Taxes - current	127,943	0	0	0	127,943
Taxes - delinquent	233	0	0	0	233
Accounts receivable	46,793	410	0	0	47,203
Interest receivable	1	0	0	0	1
Intergovernmental - state	0	2,165	0	0	2,165
Intergovernmental - indirect federal	5,761	287,589	0	0	293,350
Due from school activity funds	552	0	0	0	552
Prepaid expenses	152,852	0	0	0	152,852
TOTAL ASSETS AND RESOURCES	<u>\$ 2,914,490</u>	<u>\$ 307,124</u>	<u>\$ 2,806,077</u>	<u>\$ 299,406</u>	<u>\$ 6,327,097</u>
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 89,949	\$ 12,245	\$ 984,687	\$ 0	\$ 1,086,881
Advances from grantors	0	294,879	0	0	294,879
Current portion of accrued sick leave	19,826	0	0	0	19,826
TOTAL LIABILITIES	<u>109,775</u>	<u>307,124</u>	<u>984,687</u>	<u>0</u>	<u>1,401,586</u>
FUND BALANCES:					
Nonspendable:					
Prepays	152,852	0	0	0	152,852
Restricted:					
Construction	0	0	1,821,390	0	1,821,390
Debt service	0	0	0	1,620	1,620
SFCC escrow	0	0	0	297,786	297,786
Committed:					
Site-based carryforward	70,148	0	0	0	70,148
Assigned:					
Purchase obligations	11,385	0	0	0	11,385
Unassigned	2,570,330	0	0	0	2,570,330
TOTAL FUND BALANCES	<u>2,804,715</u>	<u>0</u>	<u>1,821,390</u>	<u>299,406</u>	<u>4,925,511</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,914,490</u>	<u>\$ 307,124</u>	<u>\$ 2,806,077</u>	<u>\$ 299,406</u>	<u>\$ 6,327,097</u>

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2017

Total fund balance per fund financial statements		\$4,925,511
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	\$ 31,003,843	
Accumulated depreciation	<u>(13,365,499)</u>	17,638,344
Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet		
Deferred loss from refunding bonds	264,563	
Pension contributions subsequent to measurement date	338,893	
Difference between expected and actual experience	23,402	
Net difference between projected and actual investment earnings on pension plan investments	503,937	
Change of assumptions	283,968	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>196,752</u>	1,611,515
Certain liabilities are not reported in the fund financial statements because they are not due and payable, but they are presented in the statement of net position.		
Interest payable		(46,611)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(11,086,557)	
KISTA notes payable	(37,155)	
KSBIT payable	(116,693)	
Net pension liability	(5,360,444)	
Accrued sick leave payable	<u>(160,406)</u>	<u>(16,761,255)</u>
Net position for governmental activities		<u><u>\$ 7,367,504</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 2,111,268	\$ 0	\$ 0	\$ 341,866	\$ 2,453,134
Motor Vehicle	279,104	0	0	0	279,104
Utilities	582,529	0	0	0	582,529
In Lieu of	4,126	0	0	0	4,126
Earnings on Investments	17,794	0	6,057	27	23,878
Other local revenues	100,776	105,706	0	0	206,482
Intergovernmental - State	11,590,105	886,497	0	1,141,678	13,618,280
Intergovernmental - indirect federal	321,445	1,573,180	0	0	1,894,625
TOTAL REVENUES	15,007,147	2,565,383	6,057	1,483,571	19,062,158
EXPENDITURES:					
Current:					
Instruction	8,758,497	2,086,666	0	0	10,845,163
Support Services:					
Student	665,189	0	0	0	665,189
Instructional Staff	824,483	204,738	0	0	1,029,221
District Administration	353,634	0	0	0	353,634
School Administration	927,892	0	0	0	927,892
Business	308,066	0	0	0	308,066
Plant operations and maintenance	1,580,852	109,472	0	50,000	1,740,324
Student transportation	626,389	0	0	0	626,389
Community service activities	0	187,895	0	0	187,895
Other non-instruction	0	9,001	0	0	9,001
Facilities acquisition and construction	0	0	3,724,270	352,124	4,076,394
Debt service	0	0	0	948,552	948,552
TOTAL EXPENDITURES	14,045,002	2,597,772	3,724,270	1,350,676	21,717,720
Excess (deficit) of revenues over expenditures	962,145	(32,389)	(3,718,213)	132,895	(2,655,562)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds	0	0	4,080,459	0	4,080,459
Operating transfers in	30,000	116,391	0	882,872	1,029,263
Operating transfers out	(7,712)	(84,002)	0	(907,549)	(999,263)
TOTAL OTHER FINANCING SOURCES (USES)	22,288	32,389	4,080,459	(24,677)	4,110,459
Net change in fund balance	984,433	0	362,246	108,218	1,454,897
Fund Balance, July 1, 2016	1,820,282	0	1,459,144	191,188	3,470,614
Fund Balance, June 30, 2017	\$ 2,804,715	\$ 0	\$ 1,821,390	\$ 299,406	\$ 4,925,511

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2017

Net change in total fund balances per fund financial statements \$ 1,454,897

Amounts reported for governmental activities in the statement of activities
 are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense for the year.

Depreciation expense	(733,129)	
Capital outlays	4,202,189	3,469,060

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond proceeds	(4,080,459)	
Bond Principal paid	760,963	
Note principal paid	29,174	(3,290,322)

Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.

Amortization of deferred loss on early retirement of debt	(37,795)	
Amortization of bond discounts	(60,029)	(97,824)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	(5,597)	
Pension expense	(538,008)	
Accrued sick leave	(1,601)	(545,206)

Change in net position of governmental activities		\$ 990,605
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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	<u>Food Service Fund</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 1,004,033
Accounts receivable:	
Accounts receivable	7,413
Intergovernmental - indirect federal	16,386
Inventory	33,234
Total current assets	<u>1,061,066</u>
Noncurrent Assets	
Capital assets	813,885
Less: accumulated depreciation	(547,018)
Total noncurrent assets	<u>266,867</u>
TOTAL ASSETS	<u><u>\$ 1,327,933</u></u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension contributions subsequent to measurement date	\$ 38,331
Difference between expected and actual experience	2,647
Net difference between projected and actual investment earnings	
on pension plan investments	56,996
Change of assumptions	32,117
Changes in proportion and differences between employer contributions	
and proportionate share of contributions	<u>22,253</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 152,344</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ 11,210
Current portion of accrued sick leave	1,288
Total current liabilities	<u>12,498</u>
Noncurrent Liabilities	
Noncurrent portion of accrued sick leave	10,422
Net pension liability	606,279
Total noncurrent liabilities	<u>616,701</u>
TOTAL LIABILITIES	<u><u>\$ 629,199</u></u>
Net Position	
Net investment in capital assets	\$ 266,867
Restricted for food service	<u>584,211</u>
TOTAL NET POSITION	<u><u>\$ 851,078</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 55,852
Other operating revenues	<u>19,772</u>
Total operating revenues	<u>75,624</u>
Operating Expenses:	
Salaries and benefits	594,799
Contract services	55,812
Materials and supplies	625,955
Depreciation	49,192
Expendable equipment	163,808
Other operating expenses	<u>5</u>
Total operating expenses	<u>1,489,571</u>
Operating income (loss)	<u>(1,413,947)</u>
Non-Operating Revenues (Expenses):	
Federal grants	1,233,078
Donated commodities	78,319
State grants	84,640
Interest income	<u>8,356</u>
Total non-operating revenues	<u>1,404,393</u>
Net income before transfers	(9,554)
Operating transfers out	<u>(30,000)</u>
Change in net position	(39,554)
Net Position, July 1, 2016	<u>890,632</u>
Net Position, June 30, 2017	<u><u>\$ 851,078</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 55,852
Other operating revenues	12,359
Cash paid to/for:	
Employees	(469,829)
Contract services	(61,214)
Materials and supplies	(585,277)
Expendable equipment	(157,912)
Other operating expenses	(5)
Net cash provided by (used in) operating activities	<u>(1,206,026)</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers from (to) other funds	(30,000)
Operating grants received	1,336,598
Net cash provided by (used in) non-capital financing activities	<u>1,306,598</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(31,977)
Net cash provided by (used in) capital and related financing activities	<u>(31,977)</u>
Cash Flows from Investing Activities:	
Interest income received	8,356
Net cash provided by (used in) investing activities	<u>8,356</u>
Net increase (decrease) in cash and cash equivalents	76,951
Cash and cash equivalents, July 1, 2016	<u>927,082</u>
Cash and cash equivalents, June 30, 2017	<u><u>\$ 1,004,033</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (1,413,947)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	49,192
Commodities used	78,319
On-behalf payments	73,759
Changes in assets and liabilities:	
Inventory	4,439
Accounts receivable	(7,413)
Deferred outflows of resources	(19,734)
Accounts payable	(41,586)
Accrued sick leave	2,151
Net pension liability	68,794
Net cash provided by (used in) operating activities	<u><u>\$ (1,206,026)</u></u>
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 78,319
On-behalf payments	73,759
Total Non-Cash Investing, Capital, and Financing Activities	<u><u>\$ 152,078</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 78,360	\$ 112,213
Accounts receivable	<u> 0</u>	<u> 970</u>
Total Assets	<u><u>\$ 78,360</u></u>	<u><u>\$ 113,183</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 5,877
Due to Board General Fund	0	552
Due to student groups	<u>0</u>	<u>106,754</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 113,183</u></u>
 NET POSITION HELD IN TRUST	<u><u>\$ 78,360</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2017

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	\$ 99
Contributions received	<u>25,602</u>
Total Additions	<u>25,701</u>
 Deductions:	
Benefits paid	<u>20,405</u>
Total Deductions	<u>20,405</u>
Change in net position	5,296
Net position, July 1, 2016	<u>73,064</u>
Net position, June 30, 2017	<u><u>\$ 78,360</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2017

NOTE A – REPORTING ENTITY

The Mayfield Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Mayfield Independent School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Mayfield Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Mayfield Independent School District Finance Corporation – In 1991, the Mayfield Independent Board of Education resolved to authorize the establishment of the Mayfield Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Mayfield Independent Board of Education also comprise the Corporation’s Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 55. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$78,319 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (Redbook).
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2017, to finance operations were \$.721 per \$100 valuation for real property, \$.721 per \$100 valuation for business personal property and \$.721 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2017 consisted of fleet, property, umbrella, workers' compensation, and fidelity and blanket bonds paid during the fiscal year ended June 30, 2017 that included coverage for periods beyond June 30, 2017.

Debt Costs

Unamortized discounts of \$64,443 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 18, 2012 meeting the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The guidelines established a capitalization threshold of \$5,000 for real or personal property. The District chose to retain the exception relating to computer workstations, which are still capitalized regardless of value. Larger thresholds apply to buildings and building improvements (\$15,000) and leasehold improvements (\$50,000). Improvements to land and to buildings in excess of the above limits are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations - Continued

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2017.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System ("CERS") and Teachers Retirement System of the State of Kentucky ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Recent Accounting Pronouncements

In March, 2016, the GASB issued Statement No. 82, *Pension Issues* ("GASB 82"). GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements that arose during the implementation of GASB Statement No. 68. GASB 82 became effective for the District beginning with its year ended June 30, 2017.

In March, 2017, the GASB issued Statement No. 85, *Omnibus 2017* ("GASB 85"). GASB 85 addresses issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). GASB 85 will be effective for the District beginning with its year ending June 30, 2018.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 9, 2017, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$6,897,404. The bank balance was \$8,077,539. Of the bank balance, \$251,618 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$7,825,921 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital Assets:				
Land and improvements	\$ 1,603,259	\$ 0	\$ 0	\$ 1,603,259
Buildings and improvements	20,197,858	1,500	0	20,199,358
Technology equipment	1,787,168	318,140	1,194	2,104,114
Vehicles	1,409,837	0	0	1,409,837
General Equipment	1,287,487	14,958	0	1,302,445
Construction	517,239	3,867,591	0	4,384,830
Totals at historical cost	<u>26,802,848</u>	<u>4,202,189</u>	<u>1,194</u>	<u>31,003,843</u>
Less: Accumulated depreciation				
Land and improvements	607,913	6,503	0	614,416
Buildings and improvements	8,731,387	424,303	0	9,155,690
Technology equipment	1,593,590	129,267	1,194	1,721,663
Vehicles	1,044,989	63,192	0	1,108,181
General equipment	655,685	109,864	0	765,549
Total accumulated depreciation	<u>12,633,564</u>	<u>733,129</u>	<u>1,194</u>	<u>13,365,499</u>
Governmental Activities Capital Assets - Net	<u>\$ 14,169,284</u>	<u>\$ 3,469,060</u>	<u>\$ 0</u>	<u>\$ 17,638,344</u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 27,583	\$ 8,507	\$ 0	\$ 36,090
General Equipment	754,325	23,470	0	777,795
Totals at historical cost	<u>781,908</u>	<u>31,977</u>	<u>0</u>	<u>813,885</u>
Less: Accumulated depreciation				
Technology equipment	26,005	1,135	0	27,140
General Equipment	471,821	48,057	0	519,878
Total accumulated depreciation	<u>497,826</u>	<u>49,192</u>	<u>0</u>	<u>547,018</u>
Business-Type Activities Capital Assets - Net	<u>\$ 284,082</u>	<u>\$ (17,215)</u>	<u>\$ 0</u>	<u>\$ 266,867</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 478,620
Student support services	23,306
Instructional staff support services	9,881
District administration	14,978
School administration	1,155
Business	30,110
Plant operation and maintenance	122,964
Student transportation	51,790
Community services	325
Total depreciation expense	<u>\$ 733,129</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Mayfield Independent School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Mayfield Independent School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

Following is a schedule of obligations existing at June 30, 2017:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
January 1, 2009 KISTA	January 1, 2019	2.000% - 3.900%	\$ 13,828
December 1, 2009 KISTA	December 1, 2019	2.000% - 3.600%	23,327
March 20, 2012, refunding	March 1, 2024	0.600% - 2.300%	4,670,000
February 1, 2014	February 1, 2034	1.500% - 4.000%	511,000
June 1, 2016	June 1, 2036	1.000% - 3.000%	1,815,000
December 28, 2016	December 1, 2036	1.500% - 3.750%	1,155,000
December 28, 2016	December 1, 2036	1.000%	3,000,000
			<u>\$ 11,188,155</u>

In 1997 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On March 20, 2012, the District issued bonds to currently refund all outstanding 2001 School Building Revenue Bonds and to advance refund on March 1, 2014 the outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after March 1, 2017. The defeased bonds were paid during a previous year. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$454,162. Amortization for the year was \$37,795 and is included as a component of interest expense.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE F – GENERAL LONG-TERM OBLIGATIONS (CONTINUED)

On December 28, 2016, the District simultaneously issued School Building Revenue Bonds in the amount of \$1,155,000 and Qualified Zone Academy Bonds (QZAB) in the amount of \$3,000,000 to finance renovations to Mayfield Middle School and Mayfield High School.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017 for debt service (principal and interest) are as follows:

Year	Mayfield Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2017-2018	\$ 775,091	\$ 197,149	\$ 39,108	\$ 19,993	\$ 1,031,341
2018-2019	779,067	186,916	39,304	19,436	1,024,723
2019-2020	792,036	174,303	39,549	18,832	1,024,720
2020-2021	789,139	158,951	40,861	17,825	1,006,776
2021-2022	803,822	143,206	42,178	16,782	1,005,988
2022-2023	818,482	126,278	42,518	15,689	1,002,967
2023-2024	843,120	108,412	43,880	14,571	1,009,983
2024-2025	340,000	88,245	28,000	13,400	469,645
2025-2026	345,000	82,920	29,000	12,280	469,200
2026-2027	355,000	77,495	30,000	11,120	473,615
2027-2028	360,000	71,578	31,000	9,920	472,498
2028-2029	370,000	65,500	33,000	8,680	477,180
2029-2030	370,000	59,230	34,000	7,360	470,590
2030-2031	380,000	52,160	35,000	6,000	473,160
2031-2032	390,000	44,781	37,000	4,600	476,381
2032-2033	395,000	36,994	38,000	3,120	473,114
2033-2034	405,000	28,938	40,000	1,600	475,538
2034-2035	410,000	20,762	0	0	430,762
2035-2036	420,000	12,319	0	0	432,319
2036-2037	425,000	3,156	0	0	428,156
	<u>\$ 10,565,757</u>	<u>\$ 1,739,293</u>	<u>\$ 622,398</u>	<u>\$ 201,208</u>	<u>\$ 13,128,656</u>

Interest incurred and charged to expense for fiscal year ended June 30, 2017 was \$230,981.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Bonds payable	\$ 7,734,000	\$4,155,000	\$ 738,000	\$11,151,000	\$ 799,000
Less: Unamortized discounts	(49,931)	(21,741)	(7,229)	(64,443)	(7,751)
Capital lease - KISTA	60,118	0	22,963	37,155	15,199
KSBIT payable	145,867	0	29,174	116,693	29,174
Sick leave	<u>178,432</u>	<u>15,339</u>	<u>13,539</u>	<u>180,232</u>	<u>19,826</u>
Totals	<u>\$ 8,068,486</u>	<u>\$4,148,598</u>	<u>\$ 796,447</u>	<u>\$11,420,637</u>	<u>\$ 855,448</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General Information About the County Employees Retirement System Non-Hazardous ("CERS")

Plan Description - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

The Kentucky Retirement Systems Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for members receiving benefits from CERS (as well as KERS and SPRS which are other plans administered by KRS). The insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the Insurance Fund varies based on years of service.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained from <http://kyret.ky.gov/> or by writing or calling the plan.

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124
(502) 564-4646

Benefits Provided - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS - CONTINUED

General Information About the County Employees Retirement System Non-Hazardous ("CERS") (Continued)

Benefits Provided (Continued) - Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The employer contribution plan rate was 18.68% for the year ended June 30, 2017. The required contribution rate is made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. The rate for the insurance fund is 4.73% and the rate for the pension fund is 13.95%.

General Information About the Teachers' Retirement System of the State of Kentucky ("TRS")

Plan description - Teaching certified employees of the District and other employees whose position require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

Benefits Provided - For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS - CONTINUED

General Information About the Teachers' Retirement System of the State of Kentucky ("TRS") (Continued)

Benefits Provided (Continued) - Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan Description - In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding Policy - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 5,966,723
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>69,660,375</u>
	<u>\$ 75,627,098</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was .121186% of the total liability of CERS and the Commonwealth's proportion of the total liability of TRS that is related to the District was .2361%.

For the year ended June 30, 2017, the District recognized pension expense of \$964,262 related to CERS and \$1,146,199 related to TRS. The District also recognized revenue of \$1,146,199 for TRS support provided by the Commonwealth. At June 30, 2017, the District did not report any deferred inflows of resources. The District reported deferred outflows of resources related to pensions from the following sources:

	Governmental Activities	Business-Type Activities
Difference between expected and actual experience	\$ 23,402	\$ 2,647
Net difference between projected and actual investment earnings on pension plan investments	503,937	56,996
Change of assumptions	283,968	32,117
Changes in proportion and differences between employer contributions and proportionate share of contributions	196,752	22,253
Pension contributions subsequent to the measurement date	<u>338,893</u>	<u>38,331</u>
Total	<u>\$ 1,346,952</u>	<u>\$ 152,344</u>

Deferred outflows of resources in governmental activities of \$338,893 and in business-type activities of \$38,331 related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Governmental Activities	Business-Type Activities
2018	\$ 423,349	\$ 48,019
2019	270,665	30,569
2020	202,090	22,763
2021	111,955	12,662

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The net pension liability as of June 30, 2017 is based on the June 30, 2015 actuarial valuation. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience and change in assumptions are amortized over a period of 3.41 years.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>TRS</u>
Inflation	3.25%	3.50%
Projected salary increases, including inflation	4.0% average	4.0-8.2%
Investment rate of return, net of investment expense, including inflation	7.5%	7.50%

For CERS, the actuarial valuation date upon which the total pension liability was based is June 30, 2015. An expected total pension liability is determined as of June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year then applies the expected investment rate of return for the year. The procedure was used to determine the total pension liability as of July 1, 2016.

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis was dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, the actuarial date upon which the total pension liability was based is June 30, 2015. The total pension liability from this valuation was determined using a discount rate of 4.20%, which was based on a municipal bond index rate as of that date equal to 3.01%. The total pension liability used last year was determined using a discount rate equal to 4.88%, which was based on a municipal bond index rate of 3.82%. These two amounts are rolled forward to June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between the two roll-forward amounts as of June 30, 2016 is the gain or loss due to changes in assumptions and other inputs.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued) - For TRS, the mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of one year for females. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010 adopted by the TRS Board on December 19, 2011. The results of the experience study for the period July 1, 2010 – June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

Discount Rate - For CERS, the discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Cash Equivalent Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.4%
Combined Fixed Income	19.0%	1.5%
Real Return (Diversified Inflation Strategies)	10.0%	3.5%
Real Estate	5.0%	4.5%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.5%
Cash Equivalent	2.0%	(.25)%
Total	<u>100.0%</u>	

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The long-term assumed investment rate of return and discount rate was based upon an analysis adopted by the Board of Trustees on December 3, 2015. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. Once the unfunded actuarial accrued liability is fully amortized, the employer will only contribute the normal cost rate and the administrative expense rate on the closed payroll for existing members.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued) - For TRS, the discount rate used to measure the total pension liability was 4.2%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates, and the additional amounts appropriated for fiscal years 2017 and 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01 percent was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and TRS proportionate share of the net pension liability to changes in the discount rate - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$7,435,519	\$5,966,723	\$4,707,696
TRS	3.20%	4.20%	5.20%
District's proportionate share of net pension liability	\$0	\$0	\$0

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2017:

Contributions to Kentucky Teachers' Retirement System	\$ 1,146,199
Technology	56,309
SFCC Debt Service	65,680
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>2,130,738</u>
Total	<u>\$ 3,398,926</u>

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION (Continued)

On-behalf contributions were charged to functions as follows:

Instruction	\$ 2,299,620
Support services:	
Student	188,886
Instructional staff	76,849
District administration	47,391
School administration	216,918
Business	108,225
Plant operations and maintenance	170,016
Student transportation	151,582
Debt service	65,680
Food service	73,759
Total	<u>\$ 3,398,926</u>

NOTE I – COMMITMENTS AND CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

NOTE J – INSURANCE AND RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K - COBRA

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION

In the fiscal year ended June 30, 2016, the District received bids and approved the awarding of a contract for Phase I renovations at Mayfield Middle School in the amount of \$1,597,000. During the fiscal year ended June 30, 2017, the District received bids and approved the awarding of a contract for Phase II renovations at Mayfield Middle School and Mayfield High School in the amount of \$3,596,943. As of June 30, 2017, \$2,155,510 had been billed on this contract and was included in construction in progress. The balance of the contract should be completed and paid during the fiscal year ending June 30, 2018.

NOTE M – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, food service funds, and private purpose trust funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2017, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Agency Fund	\$ 552	\$ 0
Agency Fund:		
General Fund	0	552

NOTE N - TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	FSPK	Special Revenue	Technology Match	\$ 24,677
Matching	General	Special Revenue	Technology Match	7,712
Operating	Special Revenue	Special Revenue	Moving flex funds	84,002
Operating	FSPK	Debt Service	Debt Service	882,872
Operating	Food Service	General	Indirect Costs	30,000

REQUIRED SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,920,000	\$ 1,920,000	\$ 2,111,268	\$ 191,268
Motor Vehicle	240,000	240,000	279,104	39,104
Utilities	620,000	620,000	582,529	(37,471)
In Lieu of	50,000	50,000	4,126	(45,874)
Earnings on Investments	15,000	15,000	17,794	2,794
Other local revenues	10,000	10,000	100,776	90,776
Intergovernmental - State	8,113,952	8,113,952	11,590,105	3,476,153
Intergovernmental - Indirect Federal	185,000	185,000	321,445	136,445
TOTAL REVENUES	11,153,952	11,153,952	15,007,147	3,853,195
EXPENDITURES:				
Current:				
Instruction	7,112,538	7,122,131	8,758,497	(1,636,366)
Support Services:				
Student	443,696	443,696	665,189	(221,493)
Instructional Staff	786,477	792,691	824,483	(31,792)
District Administration	585,284	610,284	353,634	256,650
School Administration	787,499	785,917	927,892	(141,975)
Business	204,466	203,252	308,066	(104,814)
Plant operations and maintenance	1,591,625	1,591,625	1,580,852	10,773
Student transportation	607,727	607,727	626,389	(18,662)
Contingency	749,813	741,802	0	741,802
TOTAL EXPENDITURES	12,869,125	12,899,125	14,045,002	(1,145,877)
Excess (deficit) of revenues over expenditures	(1,715,173)	(1,745,173)	962,145	2,707,318
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	30,000	30,000	0
Operating transfers out	(21,471)	(21,471)	(7,712)	13,759
TOTAL OTHER FINANCING SOURCES (USES)	(21,471)	8,529	22,288	13,759
Net change in fund balance	(1,736,644)	(1,736,644)	984,433	2,721,077
Fund Balance, July 1, 2016	1,736,644	1,736,644	1,820,282	83,638
Fund Balance, June 30, 2017	\$ 0	\$ 0	\$ 2,804,715	\$ 2,804,715

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$3,259,487 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Other local revenues	\$ 2,230	\$ 2,230	\$ 105,706	\$ 103,476
Intergovernmental - State	808,617	808,617	886,497	77,880
Intergovernmental - Indirect federal	1,640,396	1,640,396	1,573,180	(67,216)
TOTAL REVENUES	<u>2,451,243</u>	<u>2,451,243</u>	<u>2,565,383</u>	<u>114,140</u>
EXPENDITURES:				
Current:				
Instruction	2,098,859	2,098,859	2,086,666	12,193
Support Services:				
Instructional Staff	159,334	159,334	204,738	(45,404)
Plant operations and maintenance	63,674	63,674	109,472	(45,798)
Community service activities	154,053	154,053	187,895	(33,842)
Other non-instruction	0	0	9,001	(9,001)
TOTAL EXPENDITURES	<u>2,475,920</u>	<u>2,475,920</u>	<u>2,597,772</u>	<u>(121,852)</u>
Excess (deficit) of revenues over expenditures	<u>(24,677)</u>	<u>(24,677)</u>	<u>(32,389)</u>	<u>(7,712)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	70,762	70,762	116,391	45,629
Operating transfers out	(46,085)	(46,085)	(84,002)	(37,917)
TOTAL OTHER FINANCING SOURCES (USES)	<u>24,677</u>	<u>24,677</u>	<u>32,389</u>	<u>7,712</u>
Net change in fund balance	0	0	0	0
Fund Balance, July 1, 2016	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2017	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST THREE FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.121186%	0.119811%	0.108070%
District's proportionate share of the net pension liability	\$ 5,966,723	\$ 5,151,289	\$ 3,506,205
District's covered payroll	\$ 2,704,113	\$ 2,802,413	\$ 2,506,148
District's proportionate share of the net pension liability as a percentage of its covered payroll	220.65%	183.82%	139.90%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2015. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	6/30/2015
Experience study:	July 1, 2008 - June 30, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	28 years
Asset valuation method:	5-year smoothed market
Inflation:	3.25%
Salary increase:	4.0%, average, including inflation
Investment rate of return:	7.5%, net of pension plan investment expense, including inflation

NOTE: This schedule is based on the last measurement date of the net pension liability.

See Notes to Financial Statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS)
LAST THREE FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0%	0%	0%
District's proportionate share of the net pension liability	\$ 0	\$ 0	\$ 0
Commonwealth's proportion of the net pension liability	0.236100%	0.236600%	0.232500%
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 69,660,375	\$ 55,068,704	\$ 47,773,793
District's covered payroll	\$ 7,809,190	\$ 7,683,219	\$ 7,301,694
District's proportionate share of the net pension liability	0%	0%	0%
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered payroll	892.03%	716.74%	654.28%
Plan fiduciary net position as a percentage of the total pension liability	35.22%	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (as of June 30, 2013 for the fiscal year 2016 contributions). The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation date:	6/30/2015
Experience study:	July 1, 2005 - June 30, 2010
Actuarial cost method:	Entry age
Amortization method:	Level percent of pay, open
Remaining amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation:	3.50%
Salary increase:	4.0 - 8.2%, including wage inflation at 4.0%
Investment rate of return:	7.5%, net of pension plan investment expense, including price inflation at 3.5%
Municipal Bond Index Rate	3.01%
Single Equivalent Interest Rate	4.20%

See Notes to Financial Statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST TEN FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 377,224	\$ 359,704	\$ 356,573
Contributions in relation to the contractually required contribution	<u>377,224</u>	<u>359,704</u>	<u>356,573</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 2,704,113	\$ 2,897,377	\$ 2,802,413
Contributions as a percentage of covered payroll	13.95%	12.41%	12.72%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Changes of Benefit Terms:

None

Changes of Assumptions:

The following changes were adopted by the Board and reflected in the valuation performed as of June 30, 2015 listed below:

The assumed investment rate of return was decreased from 7.75% to 7.5%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

See Notes to Financial Statements

2014	2013	2012	2011	2010	2009	2008
\$ 344,344	\$ 457,442	\$ 437,453	\$ 389,879	\$ 364,277	\$ 293,643	\$ 346,175
<u>344,344</u>	<u>457,442</u>	<u>437,453</u>	<u>389,879</u>	<u>364,277</u>	<u>293,643</u>	<u>346,175</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,506,148	\$ 2,341,032	\$ 2,307,361	\$ 2,288,398	\$ 2,254,190	\$ 2,175,139	\$ 2,140,858
13.74%	19.54%	18.96%	17.04%	16.16%	13.50%	16.17%

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS)
LAST TEN FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,256,687	\$ 1,263,894	\$ 1,240,783
District's contributions in relation to the contractually required contribution - federal programs	110,488	124,998	114,980
Commonwealth's contributions in relation to the contractually required contribution	<u>1,146,199</u>	<u>1,138,896</u>	<u>1,125,803</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 7,277,377	\$ 7,809,190	\$ 7,683,219
Contributions as a percentage of District's covered payroll	17.27%	16.18%	16.15%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Changes of Benefit Terms:

None

Changes of Assumptions:

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used.

See Notes to Financial Statements

2014	2013	2012	2011	2010	2009	2008
\$ 976,636	\$ 949,081	\$ 888,895	\$ 862,407	\$ 888,895	\$ 863,873	\$ 884,718
106,512	99,287	96,558	152,231	132,653	103,395	95,897
870,124	849,794	792,337	710,176	756,242	760,478	788,821
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 7,301,694	\$ 7,126,172	\$ 6,695,350	\$ 6,520,622	\$ 6,693,539	\$ 6,580,210	\$ 6,751,163
13.38%	13.32%	13.28%	13.23%	13.28%	13.13%	13.10%

OTHER SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 32,487	\$ 265,299	\$ 1,620	\$ 299,406
TOTAL ASSETS AND RESOURCES	<u>\$ 32,487</u>	<u>\$ 265,299</u>	<u>\$ 1,620</u>	<u>\$ 299,406</u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EQUITY AND FUND BALANCES:				
Restricted:				
Debt service	0	0	1,620	1,620
SFCC Escrow	32,487	265,299	0	297,786
TOTAL FUND BALANCES	<u>32,487</u>	<u>265,299</u>	<u>1,620</u>	<u>299,406</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$32,487</u>	<u>\$265,299</u>	<u>\$ 1,620</u>	<u>\$ 299,406</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 341,866	\$ 0	\$ 0	\$ 341,866
Earnings on Investments	0	0	27	27
Intergovernmental - State	917,369	158,629	65,680	1,141,678
TOTAL REVENUES	<u>1,259,235</u>	<u>158,629</u>	<u>65,707</u>	<u>1,483,571</u>
EXPENDITURES:				
Current:				
Plant operation and maintenance	0	50,000	0	50,000
Facilities acquisition and construction	352,124	0	0	352,124
Debt service	0	0	948,552	948,552
TOTAL EXPENDITURES	<u>352,124</u>	<u>50,000</u>	<u>948,552</u>	<u>1,350,676</u>
Excess (deficit) of revenues over expenditures	<u>907,111</u>	<u>108,629</u>	<u>(882,845)</u>	<u>132,895</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	882,872	882,872
Operating transfers out	(907,549)	0	0	(907,549)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(907,549)</u>	<u>0</u>	<u>882,872</u>	<u>(24,677)</u>
Net change in fund balance	(438)	108,629	27	108,218
Fund Balance, July 1, 2016	<u>32,925</u>	<u>156,670</u>	<u>1,593</u>	<u>191,188</u>
Fund Balance, June 30, 2017	<u><u>\$ 32,487</u></u>	<u><u>\$ 265,299</u></u>	<u><u>\$ 1,620</u></u>	<u><u>\$ 299,406</u></u>

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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS**
For the Year Ended June 30, 2017

	2004 BONDS FUND	2008 BONDS FUND	2012 BONDS FUND
REVENUES:			
Earnings on investments	\$ 2	\$ 6	\$ 0
Intergovernmental - State	0	7,234	17,269
	<u>2</u>	<u>7,240</u>	<u>17,269</u>
TOTAL REVENUES	<u>2</u>	<u>7,240</u>	<u>17,269</u>
EXPENDITURES:			
Debt Service:			
Principal	0	100,000	530,000
Interest	0	3,125	96,415
	<u>0</u>	<u>103,125</u>	<u>626,415</u>
TOTAL EXPENDITURES	<u>0</u>	<u>103,125</u>	<u>626,415</u>
Excess (deficit) of revenues over expenditures	<u>2</u>	<u>(95,885)</u>	<u>(609,146)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	0	95,891	609,146
	<u>0</u>	<u>95,891</u>	<u>609,146</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>95,891</u>	<u>609,146</u>
Net change in fund balance	2	6	0
Fund balance July 1, 2016	1,529	39	25
Fund balance June 30, 2017	<u>\$ 1,531</u>	<u>\$ 45</u>	<u>\$ 25</u>

See independent auditor's report and accompanying notes to financial statements

2014 BONDS FUND	2016A BONDS FUND	2016B BONDS FUND	2016Q BONDS FUND	KISTA	Totals Debt service Fund
\$ 0	\$ 17	\$ 2	\$ 0	\$ 0	\$ 27
41,177	0	0	0	0	65,680
41,177	17	2	0	0	65,707
23,000	85,000	0	0	22,963	760,963
18,177	40,120	14,894	12,750	2,108	187,589
41,177	125,120	14,894	12,750	25,071	948,552
0	(125,103)	(14,892)	(12,750)	(25,071)	(882,845)
0	125,120	14,894	12,750	25,071	882,872
0	125,120	14,894	12,750	25,071	882,872
0	17	2	0	0	27
0	0	0	0	0	1,593
\$ 0	\$ 17	\$ 2	\$ 0	\$ 0	\$ 1,620

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET - SCHOOL ACTIVITY FUNDS
June 30, 2017

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum Only)
ASSETS:				
Cash and cash equivalents	\$ 19,303	\$ 46,506	\$ 46,404	\$ 112,213
Accounts Receivable	90	0	880	970
TOTAL ASSETS	\$ 19,393	\$ 46,506	\$ 47,284	\$ 113,183
LIABILITIES:				
Accounts Payable	\$ 136	\$ 5,214	\$ 527	\$ 5,877
Due to Board General Fund	0	0	552	552
Due to Student Groups	19,257	41,292	46,205	106,754
TOTAL LIABILITIES	\$ 19,393	\$ 46,506	\$ 47,284	\$ 113,183
NET POSITION HELD IN TRUST	\$ 0	\$ 0	\$ 0	\$ 0

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS**

For the Year Ended June 30, 2017

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum only)
REVENUES:				
From local sources:				
Earnings on Investments	\$ 64	\$ 173	\$ 185	\$ 422
Student activities	47,480	96,822	316,093	460,395
Total Revenues	47,544	96,995	316,278	460,817
EXPENDITURES				
Student Activities	46,127	95,629	325,686	467,442
Total expenditures	46,127	95,629	325,686	467,442
Net change in due to student groups	1,417	1,366	(9,408)	(6,625)
Due to student groups, July 1, 2016	17,840	39,926	55,613	113,379
Due to student groups, June 30, 2017	<u>\$ 19,257</u>	<u>\$ 41,292</u>	<u>\$ 46,205</u>	<u>\$ 106,754</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT - ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS
Mayfield High School
For the Year Ended June 30, 2017

	Cash Balance	Receipts		Disbursements	
	July 1, 2016	Actual	Budget	Actual	Budget
General Fund	\$ 815.91	\$ 15,777.20	\$ 4,000.00	\$ 15,034.80	\$ 3,900.00
Build a Bed	0.00	0.00	1,400.00	0.00	1,400.00
Cardinals Closet	231.77	265.00	200.00	111.35	200.00
Student Council	443.21	829.00	350.00	648.28	350.00
Physics Class	1,714.14	0.00	0.00	127.24	2,019.00
Drama	621.37	2,910.33	50.00	3,168.54	425.00
Teacher Fund	83.67	1,171.01	950.00	571.49	850.00
Pure Cardinals	683.44	820.00	400.00	755.70	190.00
Cultural Diversity	1,264.45	5,493.20	7,300.00	6,509.46	6,850.00
Beta Club	209.03	1,482.00	900.00	1,324.95	900.00
Foreign Language	51.64	860.00	50.00	891.28	50.00
Key Club	426.94	210.00	300.00	347.59	300.00
FCA	51.39	212.00	250.00	135.00	250.00
FCCLA	109.08	2,224.00	423.00	2,333.08	300.00
FMD	621.82	0.00	270.00	142.85	200.00
Band	1,473.56	6,787.67	3,655.00	7,196.65	3,004.00
Sunshine Fund	17.77	1,195.59	725.00	1,213.36	665.00
Athletics	14,674.18	273,549.25	87,075.00	269,764.53	93,744.00
Class of 2016	67.48	0.00	0.00	67.48	300.00
Class of 2017	0.00	5,514.10	0.00	4,607.62	0.00
Guidance	6,589.92	6,737.99	7,150.00	5,615.88	4,535.00
WMCTV	391.07	110.00	180.00	54.90	526.00
Special Olympics	837.99	0.00	0.00	0.00	430.00
Library Activities	324.15	395.00	200.00	354.44	600.00
Arts and Humanities	391.00	0.00	0.00	250.00	350.00
AP History	12.46	4,170.00	2,500.00	4,129.96	2,500.00
Shakespeare & Peers	1,355.91	0.00	1,000.00	65.52	900.00
Rotary Interact	63.34	186.00	150.00	245.00	150.00
Beatnik Café	706.90	61.00	30.00	0.00	25.00
Publications	5,088.82	7,230.01	4,500.00	7,890.47	8,900.00
Sportsman Club	3,016.22	2,055.00	1,700.00	2,622.46	1,800.00
Subtotal	42,338.63	340,245.35	125,708.00	336,179.88	136,613.00
Less: Interfund Transfers	0.00	9,552.08	0.00	9,552.08	0.00
Total	<u>\$ 42,338.63</u>	<u>\$ 330,693.27</u>	<u>\$ 125,708.00</u>	<u>\$ 326,627.80</u>	<u>\$ 136,613.00</u>

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2017	Accounts Receivable	Accounts Payable	Due to June 30, 2017
General Fund	\$ 1,558.31	\$ 0.00	\$ 54.18	\$ 1,504.13
Build a Bed	0.00	0.00	0.00	0.00
Cardinals Closet	385.42	0.00	0.00	385.42
Student Council	623.93	0.00	0.00	623.93
Physics Class	1,586.90	0.00	0.00	1,586.90
Drama	363.16	0.00	0.00	363.16
Teacher Fund	683.19	0.00	103.45	579.74
Pure Cardinals	747.74	0.00	0.00	747.74
Cultural Diversity	248.19	0.00	0.00	248.19
Beta Club	366.08	0.00	0.00	366.08
Foreign Language	20.36	0.00	0.00	20.36
Key Club	289.35	0.00	0.00	289.35
FCA	128.39	0.00	0.00	128.39
FCCLA	0.00	0.00	0.00	0.00
FMD	478.97	0.00	0.00	478.97
Band	1,064.58	0.00	0.00	1,064.58
Sunshine Fund	0.00	0.00	0.00	0.00
Athletics	18,458.90	880.49	921.44	18,417.95
Class of 2016	0.00	0.00	0.00	0.00
Class of 2017	906.48	0.00	0.00	906.48
Guidance	7,712.03	0.00	0.00	7,712.03
WMCTV	446.17	0.00	0.00	446.17
Special Olympics	837.99	0.00	0.00	837.99
Library Activities	364.71	0.00	0.00	364.71
Arts and Humanities	141.00	0.00	0.00	141.00
AP History	52.50	0.00	0.00	52.50
Shakespeare & Peers	1,290.39	0.00	0.00	1,290.39
Rotary Interact	4.34	0.00	0.00	4.34
Beatnik Café	767.90	0.00	0.00	767.90
Publications	4,428.36	0.00	0.00	4,428.36
Sportsman Club	2,448.76	0.00	0.00	2,448.76
Subtotal	46,404.10	880.49	1,079.07	46,205.52
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 46,404.10</u>	<u>\$ 880.49</u>	<u>\$ 1,079.07</u>	<u>\$ 46,205.52</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION-ALL PRIVATE PURPOSE TRUST FUNDS

	Don McNeilly	Scott Nall Golf	Dewayne Stroup	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Board Leadership Male	Board Leadership Female
ASSETS:									
Cash and cash equivalents	\$ 16,812	\$ 2,177	\$ 0	\$ 3,587	\$ 1,512	\$ 12,441	\$ 203	\$ 4,539	\$ 5,540
TOTAL ASSETS	<u>\$ 16,812</u>	<u>\$ 2,177</u>	<u>\$ 0</u>	<u>\$ 3,587</u>	<u>\$ 1,512</u>	<u>\$ 12,441</u>	<u>\$ 203</u>	<u>\$ 4,539</u>	<u>\$ 5,540</u>
NET POSITION HELD IN TRUST	<u>\$ 16,812</u>	<u>\$ 2,177</u>	<u>\$ 0</u>	<u>\$ 3,587</u>	<u>\$ 1,512</u>	<u>\$ 12,441</u>	<u>\$ 203</u>	<u>\$ 4,539</u>	<u>\$ 5,540</u>

See independent auditor's report and accompanying notes to financial statements

James Steel Robbins Memorial	Roy & Maxine Heath	McKenzie Stanley Memorial	Nathan Sholar	Shelton Family	Thaddeus Hart	Robert Barclay	Gardner Seay Golf	Olena Seay- Sloan	Higdon	Totals (Memorandum Only)
\$ 2,577	\$ 501	\$ 2,503	\$ 2,503	\$ 6,400	\$ 2,700	\$ 10,355	\$ 2,005	\$ 500	\$ 1,505	\$ 78,360
<u>\$ 2,577</u>	<u>\$ 501</u>	<u>\$ 2,503</u>	<u>\$ 2,503</u>	<u>\$ 6,400</u>	<u>\$ 2,700</u>	<u>\$ 10,355</u>	<u>\$ 2,005</u>	<u>\$ 500</u>	<u>\$ 1,505</u>	<u>\$ 78,360</u>
<u>\$ 2,577</u>	<u>\$ 501</u>	<u>\$ 2,503</u>	<u>\$ 2,503</u>	<u>\$ 6,400</u>	<u>\$ 2,700</u>	<u>\$ 10,355</u>	<u>\$ 2,005</u>	<u>\$ 500</u>	<u>\$ 1,505</u>	<u>\$ 78,360</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION HELD IN TRUST**
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2017

	Don McNeilly	Scott Nall Golf	Dewayne Stroup	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Board Leadership Male	Board Leadership Female
REVENUES:									
From local sources:									
Donations	\$ 0	\$ 0	\$ 5	\$ 0	\$ 700	\$ 396	\$ 0	\$ 3,000	\$ 3,000
Earnings on Investments	57	8	0	12	1	9	0	1	2
Total Revenues	57	8	5	12	701	405	0	3,001	3,002
EXPENDITURES									
Benefits paid	0	500	405	6,000	500	10,000	0	1,000	500
Total expenditures	0	500	405	6,000	500	10,000	0	1,000	500
Change in net position held in trust	57	(492)	(400)	(5,988)	201	(9,595)	0	2,001	2,502
Net Position Held in Trust July 1, 2016	16,755	2,669	400	9,575	1,311	22,036	203	2,538	3,038
Net Position Held in Trust June 30, 2017	<u>\$ 16,812</u>	<u>\$ 2,177</u>	<u>\$ 0</u>	<u>\$ 3,587</u>	<u>\$ 1,512</u>	<u>\$ 12,441</u>	<u>\$ 203</u>	<u>\$ 4,539</u>	<u>\$ 5,540</u>

See independent auditor's report and accompanying notes to financial statements

James Steel Robbins Memorial	Roy & Maxine Heath	McKenzie Stanley Memorial	Nathan Sholar	Shelton Family	Thaddeus Hart	Robert Barclay	Gardner Seay Golf	Olena Seay- Sloan	Higdon	Totals (Memorandum Only)
\$ 1,050 1	\$ 500 0	\$ 1,000 1	\$ 1,000 0	\$ 0 5	\$ 1,091 2	\$ 10,355 0	\$ 2,005 0	\$ 500 0	\$ 1,000 0	\$ 25,602 99
1,051	500	1,001	1,000	5	1,093	10,355	2,005	500	1,000	25,701
0	500	500	0	0	0	0	0	0	500	20,405
0	500	500	0	0	0	0	0	0	500	20,405
1,051	0	501	1,000	5	1,093	10,355	2,005	500	500	5,296
1,526	501	2,002	1,503	6,395	1,607	0	0	0	1,005	73,064
<u>\$ 2,577</u>	<u>\$ 501</u>	<u>\$ 2,503</u>	<u>\$ 2,503</u>	<u>\$ 6,400</u>	<u>\$ 2,700</u>	<u>\$ 10,355</u>	<u>\$ 2,005</u>	<u>\$ 500</u>	<u>\$ 1,505</u>	<u>\$ 78,360</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Education:</u>				
Passed Through Kentucky Department of Education:				
Special Education Grants to States	84.027	3810002-15 & 16	\$ 0	\$ 355,305
Special Education Preschool Grants	84.173	3800002-15 & 16	0	29,829
Total Special Education Cluster			0	385,134
Title I Grants to Local Educational Agencies	84.010	3100002-14, 15, & 16	0	746,145
English Language Acquisition State Grants	84.365	3300002-15 & 16	0	39,419
Supporting Effective Instruction State Grants	84.367	3230002-15 & 16	0	67,578
Rural Education	84.358	3140002-15 & 16	0	55,611
Migrant Education State Grant Program	84.011	3110002-15 & 16	0	114,645
Twenty-First Century Community Learning Centers	84.287	3400002-15	0	128,281
Career and Technical Education Basic Grants to States	84.048	3710002-15 & 16, 3710006-16	0	16,423
TOTAL U.S. DEPARTMENT OF EDUCATION			0	1,553,236
<u>U.S. Department of Health & Human Services:</u>				
Passed through Murray Board of Education:				
Head Start	93.600	04CH2692	0	175,144
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			0	175,144
<u>U.S. Department of Labor:</u>				
Passed through Job's for Kentucky's Graduates:				
WIOA Youth Activities	17.259	N/A	0	20,000
TOTAL U.S. DEPARTMENT OF LABOR			0	20,000
<u>U.S. Department of Agriculture:</u>				
Passed Through Kentucky Department of Education:				
National School Lunch Program - cash	10.555	7750002-16 & 17	0	835,530
National School Lunch Program - donated foods (Note B)	10.555	N/A	0	78,319
School Breakfast Program	10.553	7760005-16 & 17	0	357,196
Summer Food Service Program for Children	10.559	7690024-16/17 & 7740023-16/17	0	27,352
Total Child Nutrition Cluster			0	1,298,397
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027-14	0	13,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			0	1,311,397
TOTAL FEDERAL ASSISTANCE			\$ 0	\$ 3,059,777

See accompanying notes to schedule
of expenditures of federal awards

MAYFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Mayfield Independent School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Mayfield Independent School District, it is not intended to and does not present the financial position or changes in financial position of the Mayfield Independent School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.
- (2) The Mayfield Independent School District did not elect to use the 10% *de minimus* indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2017 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE D – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$	1,894,625
Total federal grants from page 16		1,233,078
Donated commodities from page 16		78,319
Less: Medicaid reimbursements included in indirect federal on page 13		<u>(146,245)</u>
Total on page 55	\$	<u>3,059,777</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, Audit Report, and Management Letter Comments Spreadsheet*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements, and have issued my report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Mayfield Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayfield Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mayfield Independent School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Mayfield Independent School District in a separate letter dated November 9, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 9, 2017

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KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
American Institute
of CPA's

♦
MEMBER,
Kentucky Society
of CPA's

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Mayfield Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Mayfield Independent School District's major federal programs for the year ended June 30, 2017. Mayfield Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Mayfield Independent School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, Audit Report, and Management Letter Comments Spreadsheet*. Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayfield Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Mayfield Independent School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Mayfield Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.


Report on Internal Control Over Compliance

Management of the Mayfield Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Mayfield Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Benton, Kentucky
November 9, 2017

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Mayfield Independent School District.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mayfield Independent School District were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over the major federal award program were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Mayfield Independent School District expresses an unmodified opinion on the major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Title I Grants to Local Educational Agencies	84.010
Migrant Education State Grant Program	84.011

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Mayfield Independent School District did not qualify as a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2017**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

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KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
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of CPAs*

◆
MEMBER,
*Kentucky Society
of CPAs*

Kentucky State Committee for School District Audits
and Members of the Board of Education of
Mayfield Independent School District
Mayfield, Kentucky

I have audited the financial statements of the Mayfield Independent School District for the year ended June 30, 2017, and have issued my report thereon dated November 9, 2017. In planning and performing my audit of the financial statements of Mayfield Independent School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky
November 9, 2017

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2017

UNCORRECTED PRIOR YEAR COMMENTS

School Activity Funds - Mayfield Elementary School

In our test of disbursements in the prior year, we noted several purchase orders that were dated on the invoice or statement date; however, the shipping date was prior to the purchase order date. In the current year, we noted purchase orders that were dated after the invoice date, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

School Activity Funds - Mayfield Middle School

In our test of cash receipts in the prior year, we noted 14 concession sales sheets and five other various receipts that were not signed by the person remitting the money. In the current year, we again noted that concession sales sheets, as well as a few other receipts, were not signed by the person remitting the money, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

In our test of cash disbursements in the prior year, we noted three instances where the purchase order did not have estimated amounts listed. We also noted one disbursement to a soft drink vendor without a purchase order and one disbursement without an invoice or standard invoice. In addition, we noted on one statement that the receipt for one ticket was almost 60% higher than what was estimated on the purchase order and another ticket had a note stating that the original receipt, purchase order, and card had been lost. In the current year, we again noted purchase orders without amounts, disbursements without purchase orders, and disbursements without an invoice or standard invoice, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

School Activity Funds – Mayfield High School

When reviewing an inventory control worksheet in the prior year, we noted that the form was not complete. The beginning inventory was not totaled and some purchases were listed at cost instead of at sales price. Some deliveries were not listed on the sheet. No ending inventory was listed on the sheet. It could not be determined whether there was an excess or shortage for the time period included on the sheet. In the current year, although the starting and ending count of inventory was listed on an inventory checklist, we did not locate inventory control worksheets that could be matched to the checklist, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

CORRECTED PRIOR YEAR COMMENTS

School Activity Funds - Mayfield Middle School

In our test of cash receipts in the prior year, we noted six instances where the concession stand sheet was present, but did not list the number of items that were sold. In addition, we noted one receipt that was voided on the computer, but the voided receipt copies were not located in the file. In the current year, the concession sheets did list the number of items sold as well as the price and included extensions of amounts with totals. We also noted that void receipt copies were retained in the file with explanations as to why the receipt had to be voided.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**
June 30, 2017

CORRECTED PRIOR YEAR COMMENTS (Continued)

School Activity Funds – Mayfield High School

In our test of cash receipts in the prior year, we noted that funds were collected for one activity on three successive days (Tuesday, Wednesday, and Thursday), but were all remitted to the school treasurer on the fourth day (Friday). Cash of \$1,858 (with checks of \$2,856) was held for three days, cash of \$1,160 (with checks of \$1,030) was held for two days, and cash of \$1,420 (with checks of \$398) was held for one day prior to submitting the funds to the school treasurer. In the current year, it appeared that receipts were being turned in as collected and not held for an excessive amount of time.

In our test of cash disbursements in the prior year, we noted two standard invoices that were not signed by the vendor. We also noted the only documentation besides a purchase order for a volleyball clinic was a skill plan for the clinic with no amount listed as to the fee. The school uses blanket purchase orders for several vendors in order to reduce paperwork and time. For one vendor, we noted that although specific items were listed on the purchase order, the number of items to be purchased was not listed. The dollar amount on the purchase order was the exact amount of the invoice, which indicates it was filled in after the invoice was received. We also noted for several other vendors where blanket purchase orders were being used, that there was no dollar limit for the year and it did not appear that specific items were approved prior to making the purchase. Blanket purchase orders were also used for start-up change for gate receipts. Each line showed the check number and amount; however, no one was signing to indicate that they received the check. In the current year, we noted proper signatures on standard invoices and also noted vendor invoices on file when applicable. We also noted better detail on blanket purchase orders, with proper signatures when appropriate.

In our review of detail supporting credit card charges in the prior year, we noted for one credit card statement, detailed invoices were present for all but one charge. For travel to one event, the person who went to the event and made the charges on the credit card was the person who approved the travel voucher. For another credit card statement, we noted detailed invoices were present for all but one charge to a restaurant. In the current year, we noted detailed invoices for all charges made on the credit card payments tested and the person approving the travel was not the same person who went to the event.

In a review of large disbursements in the prior year, we noted a check made payable to an individual with the note that it was for a baseball room for one week for \$1,220. The email confirmation listed a beachfront condominium for seven nights for two adults and two children. Upon further inquiry, we were told that the baseball team was playing in a tournament in Panama City Beach and most of the baseball parents would reserve rooms for themselves and their student athlete would stay with them; however, some parents could not go and those players would stay in a room with the coaches. There was nothing documented in the file as to who stayed in the condo. We could not determine how many games or which dates the team played; however, based on meal receipts charged to the credit card, meals were provided for 12 to 16 people on April 5th, 6th, and 7th. In the current year, there were no disbursements of this type.

Also in the prior year, we noted several fundraiser worksheets that were not correctly completed. One listed only receipts and no expenses. One did not list items and sale prices and forced budgeted sales to equal receipts, which did not match actual deposits. Another one did not list items and sale prices and did not explain the excess cash above what was anticipated. Another had the sales prices all as one amount; however, the items were sold for two different prices. The expenses and actual receipts were also not correct. The school also received two matching donations from an organization for which the paperwork to substantiate the activity and funds generated to earn the matching portion could not be located. In the current year, the worksheets tested appeared accurate and reasonable.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**
June 30, 2017

CURRENT YEAR COMMENTS

District Central Office

Fixed Assets:

When reviewing the balance sheet that was submitted with the annual financial report, we noted that there was no change in fixed assets during the year. We obtained the fixed asset notebooks which contained invoice copies and fixed asset input sheets with tag numbers showing a significant number of new assets that should have been added to the general ledger. At a later date, we did obtain a list of assets that were posted to MUNIS and we were able to match the tag numbers and dollar amounts with the supporting documentation from the notebooks. We recommend posting fixed assets throughout the year in order to make sure the data is complete and accurate prior to submission of the annual financial report.

Management's Response:

This year, there seemed to be a breakdown in the information being in MUNIS where purchase orders could be imported into the fixed asset side. Purchase order information did not transfer which made things much more complicated and required each asset to be entered manually. Going forward, the district will adopt the KDE Capital Asset Guide to reduce the number of items entered into MUNIS. Any items that fall within the new fixed asset threshold will be entered quarterly, at a minimum, as well as retirements. We have already informed the technology coordinator of this and we will meet with Maintenance, Transportation, and Food Service to discuss the new fixed asset procedures we will be using.

Special Revenue Funds:

When reviewing entries to record accounts receivable and unearned grant revenues for projects in the special revenue fund, we noted some projects had spent more than the amount allocated and an accounts receivable had been recorded for the same amount for a couple of years. We also noted others that appeared to have funds remaining that had unearned grant revenues recorded for the same amount for two or more years. While none were material, these projects should be reviewed for reasonableness prior to making the close out entries. If more money was spent in a project than was allocated and budgeted, then there will be no funds coming in from the grant to cover the excess and no accounts receivable should be recorded. In that case, the excess expenditures should be moved to the general fund, as that is the fund that will cover the excess. When expenditures are less than the amount received for a project, that either indicates that the money was not spent and should be returned to the grantor or the money was spent and coded to a general fund expenditure in error and should be moved to the special revenue fund. Reviewing this information each year will keep amounts from accumulating to a significant level.

Management's Response:

Fund 2 projects will be reviewed. There are many from prior years that are not closed out as they should have been. Projects with outstanding balances will be resolved first and then there will be continuing cleanup of old, closed projects.

Adjusting Entries

There are several entries to make at year end to convert the records from the cash basis to the accrual basis of accounting. While the entries for accounts payable were posted and the items to be recorded as accounts receivable were ready to enter, other entries were not made prior to the beginning of the audit. These include adjustments to food service inventory, recording of food service commodities received, adjustments for prepaid insurance, sick leave, and long-term debt, as well as on behalf entries. We recommend some training related to year end entries so that audit adjustments are minimal.

Management's Response:

The finance officer is willing to learn how to do the entries but will need instruction. We are currently unaware of a class on this topic but will work with the auditor to make a list of entries that are needed, reports to be pulled in order to make the entries, and instructions on how to make the entries. We will tentatively meet in May or June to go over these items that will be needed for the FY 18 year end entries

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2017

CURRENT YEAR COMMENTS (Continued)

School Activity Funds - Mayfield Elementary School

Cash Receipts Procedures:

In our test of cash receipts, we noted that receipt tickets often combine several types of items, including funds received to cover returned checks. Receipts general guideline #13 on page 6 of the Redbook states that "checks returned for insufficient funds shall be re-deposited on a separate deposit slip". While there is no prohibition from combining other types of funds received from the same person, it may be easier to track if each type is receipted on a separate ticket number. Also in the test of cash receipts, we noted three multiple receipt forms where the names of the students appeared to be written by the same person instead of having the students sign their own names. Receipts general guideline #3a on page 5 of the Redbook states that "students third grade and above must sign the multiple receipt form".

Management's Response:

We will review and update our procedures to make sure that students are the ones that sign their names on the proper forms. I will go over the procedure with teachers, in the next teachers meeting, review at the beginning of the year and give them a copy of page 5 of the Redbook. We will also instruct the 'redbook clerk' to remind individuals when they ask for receipt books to make sure the students sign instead of adults. We will re-deposit on a separate deposit slip any check returned for insufficient funds as noted on page 6 of the Redbook.

Purchasing Procedures:

In our test of cash disbursements, we noted two purchase orders that were dated after the invoice date. Purchasing policy #5 on page 12 of the Redbook states that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated". The payment is obligated when the goods or services are ordered.

Management's Response:

We will make sure that purchase orders are completed before purchasing is made as stated in page 12 of the Redbook. We will go over the procedure for purchasing at our next teacher's meeting and we will make sure our office staff does not place an order until a properly approved purchase order is approved by the principal.

School Activity Funds - Mayfield Middle School

Purchasing Procedures:

In our test of cash disbursements, we noted two instances where the purchase order did not have estimated amounts listed. There was no date on the purchase order for another disbursement. No purchase order was included in the file for two other disbursements. The purchase order was dated after the invoice date for four checks. There were eleven checks to individuals that were supported by reimbursement forms that were not signed by the individual. We also noted two disbursements to a pizza restaurant where the total on the receipt did not match the check, because apparently there was a tip included. Purchasing guideline #5 on page 12 of the Redbook says "always use a purchase order to initiate a purchase". It goes on to state "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated". Purchasing guideline #7 on the same page states "before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice, which must be signed by the payee". The purchase order should list the cost of the items to be purchased. Where an exact cost is not known, a maximum amount should be listed. When refunds or reimbursements are paid to students, parents, staff, or other individuals, either form F-SA-14 or F-SA-8 may be used, as appropriate. Both forms require the signature of the payee.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**
June 30, 2017

CURRENT YEAR COMMENTS (Continued)

School Activity Funds - Mayfield Middle School (Continued)

Purchasing Procedures: (Continued)

Management's Response:

Every effort will be made to correct this. A maximum amount for preapproval on a PO is the general rule for purchase orders and tips are usually added on to checks when pizza is delivered to school for after school activities such as academic team, beta club or other clubs that feed their team members. F-SA-14 and F-SA-8 will be used when refunds or reimbursements are paid to students, parents or staff.

Fundraising Procedures:

In our review of fundraising events, we noted there were no fundraiser worksheets available for review for the cookie dough or band bread sales. Fundraising guideline #9 on page 7 of the Redbook says "fundraisers where items are sold, whether they are purchased or donated or both, require the use of the fundraiser worksheet (form F-SA-2B), which is used to recap the profitability of a fundraiser sales cycle".

Management's Response:

This has been corrected and form F-SA-2B will be used with every fundraiser.

Cash Receipts Procedures:

In our test of cash receipts, we noted that concession stand sheets that list the items sold, the number sold, and the dollar amounts extended and totaled are present, but they are not signed by the person remitting the money. There were also no inventory control worksheets available for examination. In addition, we noted one receipt for donations that were solicited from the public outside a retail establishment. The activity sponsors did not sign anything. The supporting documentation included a multiple receipt form that was signed by the secretary and principal, along with an approved fundraiser form. We also noted two multiple receipt forms where the lines for student names were all written by the same person, instead of having each student sign the form. These two receipts were both for sales of shirts. Receipts general guideline #3 on page 5 of the Redbook states that "teachers, sponsors, or students shall use the multiple receipt form or pre-numbered receipts when collecting money". Instead of the multiple receipt form, F-SA-17 should be used for sales from concessions and shirts. While the school has developed a concession stand form that lists part of the information required from the inventory control worksheet, there is no place for signatures of the preparer and school treasurer, as well as no reconciliation of beginning inventory plus deliveries with ending inventory plus collections, as required by form F-SA-5. All receipt documentation should be signed by the person remitting the funds, as well as by the school treasurer. For donations collected from the general public, for example soliciting outside a business, having a car wash, or passing a bucket at a ballgame, the activity sponsors should assign two adults the responsibility of counting the money collected and listing it on a form similar to F-SA-17 that would list the amount collected, date, activity account, what the funds are to be used for, and be signed by both adults who counted the funds and the school treasurer.

Management's Response:

Every effort is made to keep up with concessions and any money that is brought in by students. F-SA-17 is usually on the back of the concession form that is used for concession sales. The lack of signatures by clubs operating concessions has been corrected and every effort will be made to ensure that these forms are signed before being turned in. Multiple receipt forms are always used when money is turned in by students. The athletic department that sold the old football jerseys last year are making sure that every student who purchases a jersey signs their name on the multiple receipt form. From now on, Form F-SA-17 will be used when collecting donations from the general public and will be counted by two adults before being turned in to the school treasurer.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**
June 30, 2017

CURRENT YEAR COMMENTS (Continued)

School Activity Funds – Mayfield High School

Purchasing Procedures:

In our test of cash disbursements, we noted four purchase orders that were dated after the invoice date. Purchasing guideline #5 on page 12 of the Redbook says "always use a purchase order to initiate a purchase". We also noted two checks that were written to the athletic director, who then cashed the checks and paid workers out of the amount. Checks should be written directly to the individuals performing the services in order to properly keep track of any individual who should receive form 1099 for such services.

Management's Response:

The athletic director was given the response and told that this couldn't be done anymore. Checks will be written directly to workers. The principal and bookkeeper will be in charge of monitoring this. The principal will update the staff at MHS on the proper procedure when ordering items. The principal will explain that nothing is to be ordered unless a PO has been filled out and approved. The principal will inform the staff that they will not be reimbursed if this procedure is not followed. This will be done during the November faculty meeting.

Credit Card and Travel Related Disbursements:

In our review of detail supporting credit card charges, we noted travel to the golf state tournament for which the date on the pre-approval line was after the charges were made. Credit Card policy #5 on page 16 of the Redbook states that "all charges on the card require a prior-approved purchase order". Whether the travel is paid by the employee and reimbursed later or whether the travel is charged on the District credit card, the travel voucher should be approved in advance by the principal. While specifics may not be known prior to making the travel, such as which restaurants the team will visit, the travel voucher may be pre-approved for a certain number of meals for a certain number of days, with the itemized receipt later documenting the specific details as part of the credit card statement documentation.

Management's Response:

The principal and athletic director will take steps to inform athletic coaches on the proper procedure for getting pre-approved when traveling to an athletic event. A PO and/or reimbursement sheet will be dated prior to the date which the team will be traveling. This will be done during a coaches meeting held in November.

Inventory Control:

We noted that concession stand inventory checklists are being used that lists the starting count and ending count of items that are sold; however, we were unable to match this information to an inventory control worksheet. While we did find some inventory control worksheets for the year, we were not always able to match up deposits and purchases in order to determine whether information was accurate and reasonable. More training on the completion of the worksheets should be done so that workers better understand what is required and why the form is necessary for better controls.

Management's Response:

A uniform inventory control sheet will be produced by the athletic director/bookkeeper/and principal. Each sport that sells concessions will be required to use this same sheet. Athletic staff will be notified of this during a November meeting held by the MHS principal.